



# INFORMATION CAPSULE

## Research Services

Vol. 1103  
October 2011

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## STATUS OF TEACHER PERFORMANCE PAY PROGRAMS ACROSS THE UNITED STATES

### ***At a Glance***

*An increasing number of states and school districts across the country are tying teacher pay to student performance. A recent RAND Education study found that nationwide spending on teacher performance pay increased from \$99 million in 2006 to \$439 million in 2010. However, many states and school districts face significant hurdles when they attempt to implement incentive pay programs. In fact, some states and school districts have scaled back or even discontinued their programs because of budgetary constraints and research that has found minimal impact on student achievement as a result of performance pay programs. Critics of incentive pay programs claim that there are currently no valid and reliable student growth measures that can be used for high-stakes decisions like teacher compensation. Furthermore, states and districts have found that it is particularly difficult to develop student achievement measures with which to accurately evaluate teachers in untested grades and subjects.*

*This report summarizes the difficulties these states and school districts have encountered. A brief summary of the status of some of the more notable teacher performance pay plans around the U.S. is also included, divided into the following three sections: States and Districts Discontinuing or Reducing Funding for their Performance Pay Programs; States and Districts Implementing New Performance Pay Programs; and States and Districts with Continuing Performance Pay Programs.*

*Based on strong encouragement from both the federal and state governments to implement performance pay programs and in spite of the difficulties locations have encountered when launching these initiatives, this report found that many states and school districts continue to investigate the use of performance pay as a way to improve student and teacher performance. It therefore appears that compensation systems linking teacher pay to student achievement will be a part of the national educational landscape for the foreseeable future.*

More and more school districts around the country are tying teacher pay to student performance. State lawmakers and education officials are promoting the idea and the federal government is offering billions of dollars in grants to encourage states and school districts to try incentive pay programs (Chandler, 2011; Fields, 2011; Hollingsworth, 2011; Turner, 2010). A RAND Education study reported that nationwide spending on teacher performance pay plans increased from \$99 million in 2006 to \$439 million in 2010 (Marsh et al., 2011).

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Fleming (2011), however, noted that many states and school districts are finding it increasingly difficult to implement performance pay programs. Mounting budgetary constraints and research that has shown that these programs have little or no impact on student performance have led some states and districts to scale back or even discontinue their programs.

Buck and Greene (2011) concluded that “merit pay plans are more likely to be symbolic than substantive and more likely to be promised than delivered.” They reported that only 3.5 percent of school districts nationwide (500 out of approximately 14,000 U.S. school districts) have some form of performance pay. In fact, even in districts that were identified as having performance pay plans, the authors stated that “most were so weak that they represented no meaningful change from traditional compensation systems.”

### **States Encountering Difficulties with their Race to the Top Plans**

The U.S. Department of Education requires Race to the Top applicants to tie their teacher evaluation practices to salary. Yet several winners of the competition are facing difficulties developing teacher evaluations tied to student performance. Some states face resistance from educators and others are wrestling with questions about how to evaluate teachers of subjects that are not tested on state assessments. U.S. Secretary of Education Arne Duncan said he will withhold funding from states that do not live up to their Race to the Top plans.

- In New York, the teachers union and the state board of regents are locked in a legal battle over whether the state test results can be used for two different portions of the student academic growth component of teacher evaluations. The state’s Supreme Court sided with the teachers union, ruling that the same measures could be used on both portions of the evaluation, as long as the data were used as a “distinctly different measure of student achievement.” The State Commissioner of Education is reviewing which aspects of the court ruling to appeal (Cavanaugh, 2011).
- Delaware recently asked for a one-year extension from the U.S. Department of Education to create a new evaluation system, which will tie teacher advancement, including tenure, to positive ratings. Delaware has struggled to develop evaluations of teachers for subjects that are not tested on state assessments, such as art, foreign languages, and vocational education. The U.S. Department of Education granted Delaware’s request for an extension but said it would withhold \$13.8 million of the state’s \$100 million grant if the revised timetable is not met (Cavanaugh, 2011).
- Georgia, a \$400 million Race to the Top winner, was also granted a one-year extension in piloting its new evaluation system before it is launched in its 26 participating districts. The state is working with districts to create evaluations for subjects tested on statewide tests. For non-tested subjects, districts will be given the flexibility to develop their own evaluations, with state approval. It is anticipated that some Georgia districts will use portfolio assessments, while others may use student learning objectives in which teachers set specific goals for learning gains (Cavanaugh, 2011).
- Maryland is piloting its new performance pay model for teacher and principal evaluations in seven districts during the 2011-12 school year. The state received \$250 million in Race to the Top funding to finance the initiative. The performance pay program will begin in all Maryland schools in 2012-13, but the state received federal approval to delay high-stakes decisions about job status or tenure until the 2013-14 school year. The program will tie 50 percent of teacher evaluations to student test scores or other student growth measures. Teachers will not be rated as “effective” unless their students show progress (Center for Educator Compensation Reform, 2011; Chandler, 2011).

## Common Difficulties Associated with Implementation of Performance Pay Programs

Buck and Greene (2011) summarized some of the most common difficulties states and school districts encounter when attempting to implement performance pay plans.

- In order to be effective, performance pay plans must include salary increases for successful teachers and salary reductions and/or dismissals for poor performers. In many states, laws governing teacher tenure make implementation of these plans unlikely.
- Teachers unions often block the implementation of performance pay plans or weaken their provisions. Many plans end up rewarding teachers mostly for inputs (e.g., professional development, graduate degrees, and national certification) rather than student outputs (e.g., test scores or graduation rates). For example, Denver's Professional Compensation for Teachers (ProComp) plan, widely heralded as the leading national example of performance pay, awards more money for earning another degree than for demonstrated performance in the classroom. In addition, ineffective teachers face no penalties under ProComp.
- Some states and school districts have diluted the performance pay concept by making the bonuses to teachers small and setting the bar for receiving the bonuses low, thereby creating a new system that is almost the same as across-the-board pay raises. In Houston Independent School District, for example, exemplary performance was defined so broadly that an overwhelming majority (88 percent) of the district's teachers received raises. Similarly, an analysis of Minnesota's Q Comp program in 22 school districts found that raises were provided to over 99 percent of eligible teachers in 2008. Only 27 of the 4,200 eligible teachers did not receive a pay raise.
- Some performance pay plans are blocked or repealed because of budgetary constraints. For example, Philadelphia tried to establish a pilot performance pay program in 2000, but abandoned the initiative, calling it "too expensive, difficult to administer, and a failure at giving teachers useful feedback." In 2006, the city received a \$20.5 million grant from the U.S. government to develop a performance pay program. However, program development was once again discontinued when the district announced it had a \$180 million budget deficit. The district gave the money to charter schools instead.
- Many states and school districts don't have teacher support for their performance pay plans. Teachers argue that student learning is affected by factors beyond their control, such as students' motivation levels, family situations, or health conditions. In fact, many school districts turn down extra money from their states rather than adopt performance pay plans. In Iowa, for example, the statewide Career Ladder and Pay-for-Performance grant program was passed in 2007, but less than one percent of Iowa school districts applied for funds. In Virginia, only six percent of eligible schools agreed to participate in the state's performance-based compensation system that is being piloted this year.
- Performance pay programs that allocate school-wide awards based on the collective performance of teachers and staff, not individual teachers, tend to garner more teacher support. However, some researchers suggest that bonuses based on school-wide improvements weaken the incentives for individual teachers to increase their efforts.
- Although many experts acknowledge that standardized achievement tests have many useful applications for teachers, schools, and districts, they argue that these tests were never intended to be used as a tool for evaluating teacher performance. Critics of incentive pay programs claim that there are currently no valid and reliable student growth measures that can be used for high-stakes decisions like teacher compensation. Furthermore, states and districts have found that it is

particularly difficult to develop student achievement measures with which to accurately evaluate teachers in untested grades and subjects.

The remainder of this report contains a brief summary of the status of some of the more notable teacher performance pay programs across the U.S. and is divided into the following three sections: States and Districts Discontinuing or Reducing Funding for their Performance Pay Programs; States and Districts Implementing New Performance Pay Programs; and States and Districts with Continuing Performance Pay Programs.

### **States and Districts Discontinuing or Reducing Funding for their Performance Pay Programs**

A number of states and districts have recently discontinued or scaled back their teacher performance pay programs, due to declining finances, limited research support for the programs' impact on student and teacher performance, or disagreements with local teachers' unions or other special interest groups.

- **New York City Public Schools.** In July 2011, the New York City Department of Education permanently discontinued the New York City School-Wide Performance Bonus Program. The program began in approximately 200 New York City public schools midway through the 2007-08 school year and distributed \$56 million in performance bonuses to teachers and other school staff members. Approximately one-third of the money for bonuses came from private donations and the remaining two-thirds came from taxpayer funds. Schools qualified for bonuses if they exceeded targets based on their performance on school report cards. Each school created a committee of teachers and administrators to determine how to distribute the money. Most schools decided to distribute the bonuses equally to all staff members, amounting to about \$3,000 per teacher. The decision to cancel the program was made after a study conducted by RAND Education concluded that the bonuses had no significant impact on student performance or teachers' attitudes toward their jobs. New York City Department of Education officials have stated that they will continue to seek an alternative, more effective performance pay model (Buck & Greene, 2011; Marsh et al., 2011; Otterman, 2011).
- **North Carolina.** The state's ABC Bonus Program was discontinued in 2008-09 due to budget difficulties. The program proved expensive to maintain, costing the state \$90 million or more each year. The bonus program began in the 1996-97 school year. In its first year, teachers in elementary and middle schools were awarded a cash bonus of \$1,000 if the school's average year-to-year improvement in reading and math scores exceeded the threshold set by the state. In the following year, the program was extended to high schools and the program became two-tiered. Teachers in schools that made "expected" growth received \$750 and those in schools that made "exemplary" or "high" growth received \$1,500. The state is considering reinstituting some form of teacher performance pay for the 2012-13 school year. The Senate's new budget included \$1 million to examine performance pay proposals and develop the most effective plan (Ahn & Vigidor, 2011; Bonner & Morrill, 2011; Buck & Greene, 2011; Public Schools of North Carolina, 2010).
- **Alaska.** The Alaska legislature approved the Alaska School Performance Incentive Program (AKSPIP) in 2006. Bonuses were distributed to up to 850 certified staff each year, as well as all non-certified staff employed within eligible schools and certain district-level support staff. Bonuses ranged from \$2,500 to \$5,500 for certified staff and \$1,000 to \$2,500 for non-certified staff. The law established AKSPIP as a pilot for school years 2006-07, 2007-08, and 2008-09. The program was not renewed following the three-year pilot period. The state's Department of Education and Early Development acknowledged that it did not win support for the program, especially from teachers. The targets for achieving bonuses were too high for many schools to achieve and some educators opposed the awarding of bonuses based exclusively on students' test scores (Fleming, 2011);

State of Alaska Department of Education and Early Development, 2010; State of Alaska Department of Education and Early Development, 2009).

- **Little Rock School District, Arkansas.** The Little Rock School District created a pilot performance pay program called the Achievement Challenge Pilot Project (ACPP) in 2004. Five low-income, high-minority elementary schools with low standardized test scores participated in the program. Teachers received a per-student bonus that was based on the average test score gains in their class. If the average gain in the classroom was 0-4 percent, the teacher received \$50 per student; between 5-9 percent received \$100 per student; between 10-14 percent received \$200 per student; and above 15 percent received \$400 per student. Potential bonuses were substantial, with teachers eligible to receive a maximum of \$11,200 at the end of the year. The program began in 2004 and lasted for three years, but was not renewed by the local school board (Buck & Greene, 2011; Winters et al., 2007).
- **Utah.** Five elementary schools participated in Utah's Performance-based Compensation Pilot Program during the 2009-10 and 2010-11 school years. The state provided \$300,000 in grant money and elementary schools applied for funding on a competitive basis. Schools created their own performance pay plans, but were required to include the following criteria: 40 percent based on student learning gains; 40 percent based on classroom observations; and 20 percent based on parent, student, and community satisfaction. Participating teachers received \$2,000 the first year just for being involved in the program, but received differentiated awards at the conclusion of the 2010-11 school year based on performance. The Utah State Office of Education reauthorized the performance pay program in April 2011, but the program was discontinued at the conclusion of the 2010-11 school year because no funds were allocated for its continuation (Center for Educator Compensation Reform, 2011; Utah Education Facts, 2011; Utah State Office of Education, 2011; Ziegler, 2011).
- **Arizona.** The Arizona Classroom Site Fund (CSF) requires all districts across the state to implement performance pay for teachers. Program revenues are generated from a .6 cent education sales tax authorized by voters in November 2000 and from growth in K-12 state trust land revenues. The program is ongoing and permanent. School districts create their own CSF plans, but must adhere to the following guidelines when distributing funds: 40 percent for performance pay for teachers; 40 percent for school "menu options" (such as classroom supplies, dropout prevention programs, and teacher training); and 20 percent for increasing teachers' base pay. School plans must also provide for teacher professional development. In March 2011, the Arizona School Boards Association reported that CSF revenues have dropped 49 percent in the last two years. The economic downturn has resulted in reduced sales tax revenue statewide and a decrease in investment income from state trust lands (Arizona School Boards Association, 2011; Education Commission of the States, 2011; Arizona State Department of Education, 2009). According to a 2010 report from the Arizona Auditor General (cited in Buck & Greene, 2011), out of 222 districts receiving CSF funding, the auditor identified only 29 "with strong performance pay plans that did a good job of linking teacher performance pay to student achievement."
- **Texas.** The District Awards for Teacher Excellence (DATE) is a statewide incentive teacher pay program that began during the 2008-09 school year. This summer, Texas state officials cut program funding by 90 percent (from \$392 million to \$40 million), blaming the state's budget deficit that led to \$4 billion in cuts to school funding. The number of teachers receiving bonuses could decline from 180,000 to 18,000. Districts are given considerable flexibility in determining how the incentive plan is designed, but 60 percent of the grant funds must be used on teacher awards. The remaining 40 percent of the funds can be used on stipends for teachers at hard-to-staff schools or in high-demand subjects, stipends for teacher mentors, principal incentives, or professional development. During the 2009-10 school year, fewer than 20 percent of Texas districts opted into DATE, but

since Texas' largest districts implemented the program, over half of all Texas schools, teachers, and students were represented (Buck & Greene, 2011; Fleming, 2011; National Education Policy Center, 2011; Texas Classroom Teachers Association, 2011).

From 2006-07 through 2008-09, the Texas Educator Excellence Grant (TEEG) provided approximately 1,000 high-poverty, high-performing schools with \$100 million in state funding per year to develop customized teacher incentive pay programs. TEEG was rolled into DATE in June 2009 to create one statewide teacher incentive pay program. Another state initiative, the Governor's Educator Excellence Grant (GEEG), began during the 2005-06 school year and concluded after the 2007-08 school year. GEEG awarded three-year grants, ranging from \$60,000 to \$180,000 per year, to 99 high-poverty, high-performing schools throughout the state of Texas to develop customized teacher incentive pay programs (Buck & Greene, 2011; Texas Classroom Teachers Association, 2011; Springer et al., 2009a; Springer et al., 2009b).

### **States and Districts Implementing New Performance Pay Plans**

A number of states and school districts are moving forward with new performance pay programs, even though they face limited finances and the incentive programs have not yet convincingly demonstrated that they have a significant impact on student or teacher performance. Following are examples of states and school districts that are piloting or planning new performance pay programs.

- **Idaho.** Recent legislation authorized a statewide performance pay plan that will award bonuses to teachers who raise student achievement and assume hard-to-fill positions or leadership roles. The plan is estimated to cost the state \$38 million in 2012-13 and over \$51 million in 2013-14. Idaho's Race to the Top grant was rejected, requiring the state to reallocate education funds to finance the performance pay plan. The program has met with stiff opposition from the teachers' union, with opponents claiming that the initiative is an unfunded mandate that the state cannot afford (Associated Press, 2011a; Huffington Post, 2011).
- **Indiana.** Indiana passed performance pay legislation this year that requires teachers and principals to be evaluated annually. Pay raises will be based on a combination of students' test scores and year-to-year growth on standardized tests; classroom observations by trained evaluators; and teachers' seniority, education, and work as a school leader. Those ranked in the bottom two of four categories will not be eligible for pay raises. The performance pay program is being piloted in six Indiana schools (three districts are using the state-developed evaluation system and three districts are using locally developed evaluation systems that meet state criteria) during 2011-12. Staff from the Indiana Department of Education are providing the six districts with guidance as they implement the performance pay plan. Districts also receive support from The New Teacher Project. School districts across the state are encouraged to track the progress of the pilot program via an online learning community and by checking status reports that are being published throughout the school year. In 2012-13, all Indiana school districts will be required to adopt an evaluation system that meets state criteria. The Indiana Education Roundtable (a committee co-chaired by Indiana's Governor and Superintendent of Public Instruction and composed of key leaders from education, business, the community, and government) will adopt the final evaluation criteria in January 2012 (Associated Press, 2011b; Schneider, 2011; State Impact, 2011a; Wall, 2011).
- **Ohio.** A new law, commonly known as Senate Bill 5, eliminates automatic salary schedules and step increases for all of Ohio's public school teachers in favor of a performance pay program. Student achievement will comprise 50 percent of each teacher's final performance rating and determine whether he or she receives a raise, no raise, or is potentially fired. The program will not allocate any special funds for performance pay. Instead, districts will use the money intended to pay teachers as part of automatic annual raises. While a number of the state's Race to the Top

districts are already implementing some form of performance pay, the new legislation requires all school districts in the state to implement performance pay for teachers by the 2013-14 school year, based on their respective collective bargaining agreements. Unions strongly oppose the legislation and gathered enough signatures to put the issue before voters in a November 2011 referendum. It is estimated that both sides could spend as much as \$20 million each in the fight over whether to ratify or overturn Senate Bill 5 (Associated Press, 2011c; Fields, 2011; Fleming, 2011; State Impact, 2011b).

- **Tennessee.** During the 2011-12 school year, 13 Tennessee school districts began piloting a teacher and administrator performance pay program. The 13 districts received \$36 million in federal Teacher Incentive Fund grants. Bonuses are based on student achievement gains and annual supervisor evaluations. Teachers can receive additional bonuses for participating in professional growth activities and training. Teachers in pre-kindergarten through grade 3 are eligible to earn an extra \$2,100; grades 4-12 up to \$3,600; assistant principals up to \$4,000; and principals up to \$5,500 (Hubbard, 2011; Connell, 2010).

The Tennessee school districts are piloting the new performance pay program in spite of the fact that a recently released study of performance pay in the Metro-Nashville public schools found that offering middle school math teachers bonuses of up to \$15,000 did not lead to gains in student test scores. The study was conducted by the federally funded National Center on Performance Incentives at Vanderbilt University (Springer et al., 2010). Proponents of the new performance pay program maintain that it is more likely to succeed because, unlike the Nashville initiative, the new program provides participating teachers with professional development and mentoring (Connell, 2010).

- **Virginia.** Teachers in 25 schools are participating in Virginia's new Performance-Pay Incentives Initiative. The initiative launched in fall 2011. The Commonwealth allocated \$3 million for teacher bonuses in hard-to-staff schools as a way to recruit and retain top instructors in challenging classrooms. The system bases 40 percent of a teacher's evaluation on students' academic growth. Other evaluation criteria include teachers' professional knowledge, instructional planning, and professionalism. The legislation authorized bonuses of up to \$5,000 for teachers earning exemplary ratings. School districts can designate all or some of the teachers within a hard-to-staff school as eligible for performance pay. The program was offered to 169 hard-to-staff schools, but only 25 schools accepted the state's offer to participate (Fleming, 2011; Garrow, 2011; Sieff, 2011; Virginia Department of Education, 2011).
- **Charlotte-Mecklenburg Schools, North Carolina.** Charlotte-Mecklenburg Schools (CMS) won a five-year Teacher Incentive Fund grant that began in the 2007-08 school year to implement a performance pay program in the district's highest need schools. The program provides both teachers and principals with differentiated levels of compensation based on student achievement gains and teacher/principals evaluations that include multiple classroom observations. Bonuses are also included for working in hard-to-staff schools or subjects. The program has been piloted in 20 of the district's highest need schools. CMS' superintendent recently announced a plan to bring performance pay to the entire district in 2014. The establishment of a districtwide performance pay plan has been highly controversial. A 2007 North Carolina House Bill authorized revision of the teacher pay scale, but only if a majority of teachers approved the new plan. However, the House passed a new bill in April 2011 that allows North Carolina school districts to launch performance pay plans without teacher approval. After parent and teacher protests this spring, CMS added two public relations positions to its staff to explain performance pay issues to members of the community. The Gates Foundation also stepped in to help, with a \$200,000 publicity campaign aimed at boosting public knowledge of CMS' overall educational reform goals (Buck & Greene, 2011; Charlotte-Mecklenburg Schools, 2011; Frazier, 2011; Helms, 2011).

- **Douglas County, Colorado.** In 1993, Douglas County School District was one of the first districts in the country to institute a performance pay system. Now the district is planning to launch a new, overhauled plan in the 2012-13 school year. The new plan will rate teachers based on student performance in statewide achievement tests, principal evaluations, teachers' ability to teach the skills students will need in the high-tech workforce, parent and student ratings, and teachers' ability to meet yearly curriculum goals. The plan will provide competitive, market-value compensation based on demand and factors such as whether teachers have multiple certifications and teach in a demographically challenging school. Teachers who receive the lowest ratings for two consecutive years will be placed on probation. Teachers will be eligible to earn up to \$20,000 more each year for the first three years. If teachers choose to move into the "total compensation" model in succeeding years, they will be eligible to earn up to \$100,000 a year. The Douglas County School District is asking voters for a tax hike in order to pay for the new plan, which is estimated to cost an additional \$13 million per year during the first four years and up to \$33 million annually during the following years (Associated Press, 2011d; Center for Educator Compensation Reform, 2011; Illescas, 2011; Mitchell, 2011).
- **Kansas City, Missouri School District.** The district selected 10 schools to pilot the PIONEER (Pay Incentives based On Need for Excellent Education Reform) performance pay program in 2011-12. PIONEER awards eligible teachers and principals annual bonuses based on students' scores on statewide achievement tests, teachers' participation in professional growth activities, and observations of teacher and principal performance. Participating teachers and principals can earn up to \$10,000 in annual bonuses. The PIONEER program also offers two additional types of bonuses: recruitment incentives for teachers and principals who produce above-average results in low-performing, low-income schools and additional awards for the three schools with the highest school-wide performance. The program is funded by a five-year, \$13.6 million grant from the U.S. Department of Education's Teacher Incentive Fund. The district hopes to find an alternative funding source so it can continue performance pay after the five-year grant ends (Center for Educator Compensation Reform, 2011; Hollingsworth, 2011; Kansas City, Missouri School District, 2011).

### **States and Districts with Continuing Performance Pay Plans**

Several states and school districts have retained their performance pay programs despite limited supporting research, disagreements with local teachers' unions, and declining finances.

- **Denver Public Schools.** The Professional Compensation System for Teachers (ProComp) is one of the longest-surviving performance pay programs in the country. Elements of the program were implemented during the 2005-06 school year, with full implementation occurring in the 2006-07 school year. ProComp is a joint effort between the Denver Classroom Teachers Association and Denver Public Schools and uses local taxes to help finance the program. Incentive pay is based on a percent of a salary index, a fixed amount negotiated by the school district and teachers union. ProComp has four components that allow teachers to earn incentive pay through nine elements: knowledge and skill (bonuses for completing professional development units, earning additional graduate degrees, and earning national certificates); Professional Evaluation (salary increases every three years for satisfactory evaluations); Student Growth (additional compensation for meeting annual objectives, exceeding state test score growth goals, and working in a school with "distinguished" academic gains); and Market Incentives (bonuses for working at hard-to-staff schools and in hard-to-fill subjects) (Denver Public Schools, 2011).
- **District of Columbia Public Schools.** IMPACTplus is a performance-based compensation system that was developed collaboratively by the District of Columbia Public Schools and the Washington Teachers' Union. The program began in 2010. Under IMPACTplus, a teacher rated as highly effective has the potential to earn \$74,085 in his or her first year, and can achieve a maximum salary of

\$131,540 in nine years. Additional compensation opportunities, such as extra duty pay, dual certification bonuses, and tuition reimbursement, are also available. Teachers assigned to low-income schools or who teach a high-need subject are eligible to earn larger bonuses. In addition, teachers who earn a highly effective rating two years in a row are eligible for an increase in their base pay. Components of teacher ratings include: Individual Value-Added Student Achievement Data (50 percent); Teaching and Learning Framework (35 percent); Commitment to the School Community (10 percent); and School Value-Added Student Achievement Data (5 percent). IMPACTplus is supported through private dollars (District of Columbia Public Schools, 2011a; District of Columbia Public Schools, 2011b; Fleming, 2011).

- **Guilford County Schools, North Carolina.** The Mission Possible (MP) program was designed to recruit, retain, and reward highly qualified teachers and administrators who work at the district's most disadvantaged schools. Teachers earn as much as \$10,000 in recruitment bonuses and \$4,000 in performance bonuses based on their students' academic growth. MP began in 2006, when the district received an \$8 million federal grant to pay bonuses to teachers in 30 schools, but the grant expired at the end of the 2010-11 school year. However, the U.S. Department of Education awarded Guilford County Schools a five-year \$22.8 million Teacher Incentive Fund grant in September 2010. The district used the new funds to expand the MP program to 20 additional schools (Moore, 2011; Buckley, 2010; Guilford County Schools, 2010a; Guilford County Schools, 2010b).

## Summary

More and more school districts around the country are tying teacher pay to student performance. State lawmakers and education officials are promoting the idea and the federal government is offering billions of dollars in grants to encourage states and school districts to try incentive pay programs. A RAND Education study reported that nationwide spending on teacher performance pay plans increased from \$99 million in 2006 to \$439 million in 2010. However, many states and school districts are finding it increasingly difficult to implement performance pay programs. Mounting budgetary constraints and research that has shown that these initiatives have little or no impact on student and teacher performance have led some states and districts to scale back or even discontinue their programs. One study found that only 3.5 percent of school districts nationwide (500 out of approximately 14,000 U.S. school districts) have some form of teacher performance pay.

This report summarized some of the difficulties states and school districts have encountered when attempting to implement performance pay plans, such as resistance from educators and teachers unions, uncertainty about how to evaluate teachers of subjects and grade levels that are not tested on state assessments, and declining finances.

A brief summary of the status of some of the more notable teacher performance pay plans around the U.S. was also provided, divided into the following three sections: States and Districts Discontinuing or Reducing Funding for their Performance Pay Programs; States and Districts Implementing New Performance Pay Programs; and States and Districts with Continuing Performance Pay Programs.

Despite the difficulties encountered when implementing performance pay programs, this report found that many states and school districts continue to investigate the use of performance pay as a way to improve student and teacher performance. It therefore appears that compensation systems linking teacher pay to student achievement will be a part of the national educational landscape for the foreseeable future.

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